

NEWS RELEASE

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DeNUCCI CITES WESTERN MASS. VENDOR FOR ALMOST \$900,000 IN UNALLOWABLE EXPENSES

State Auditor Joe DeNucci reported today that Valley Educational Services, Inc., a Western Massachusetts for-profit organization that operates Valley West Day School for special needs students, charged the Commonwealth almost \$900,000 for expenses that were unallowable under state regulations.

DeNucci's audit disclosed that Valley West paid almost \$395,000 to the wife of its chief executive officer to serve as a direct care consultant for the school. Valley West, however, could not provide documentation indicating that this consultant had performed any services that benefited the school's day or summer programs. She did not maintain regular office hours, submit time sheets or prepare written materials describing her duties at the school. As a result, her state-funded salary and fringe benefits are considered non-reimbursable expenses.

DeNucci also found that Valley West overcharged the state by \$440,000 to lease property on Moore Street in Chicopee owned by its CEO to house its special needs school. Although state reimbursements for related-party transactions such as this cannot exceed the lower of either the market price or the property owner's actual cost, the CEO received \$562,000 from July 2000 through November 2005, while it only cost him \$122,584 to own and maintain the property for the same period.

In addition, DeNucci's audit revealed that Valley West used state money totaling more than \$30,600 to lease a vehicle for its CEO from January 2003 to November 2005. Since the school could not provide records indicating that the vehicle was used for school-related purposes, this expense was not eligible for reimbursement by the Commonwealth.

Furthermore, Valley West billed the state more than \$32,650 for a variety of unallowable expenses, such as cell phones, meals, travel, donations and employee entertainment that had no relation to the school's social service programs.

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The cell phones resulted in almost \$7,900 in unallowable charges, while cash donations to organizations such as municipal unions and public school athletic teams accounted for another \$11,558 in non-reimbursable expenses. Meals and entertainment, including golf outings and holiday parties, totaled more than \$10,711; the CEO also received a lump-sum payment of \$2,500 for travel costs that could not be classified as business-related expenses.

Valley West Day School is licensed by the state Department of Education and is funded by student tuition payments from cities, towns and regional school districts. The following school districts paid for services at Valley West during fiscal years 2003-2005: Agawam, Amherst, Belchertown, Brimfield, Chicopee, Clinton, East Longmeadow, Easthampton, Erving, Gateway, Gill-Montague, Granby, Greenfield, Hadley, Hampden-Wilbraham, Hampshire, Holyoke, Longmeadow, Ludlow, Mahar, Mohawk, Monson, Northampton, Palmer, Quabog, South Hadley, Sabis Charter School, Shutesbury, Southbridge, Southwick, Springfield, Tantasqua, Ware, Westfield and West Springfield.

“The Commonwealth should make every effort to recover the almost \$900,000 in unallowable expenses that were billed to the state,” said DeNucci. “Valley West should also develop policies and procedures to ensure that public money is used only for legitimate charges that are directly related to the school’s social service programs.”